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**COUNTY OF YOLO,
CALIFORNIA**

MANAGEMENT LETTER

JUNE 30, 2008

Mgt. Ltr.
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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

January 23, 2009

To the Board of Supervisors
County of Yolo, California

Ladies and Gentlemen:

We have audited the basic financial statements of the County of Yolo (the County) for the year ended June 30, 2008 and have issued our report thereon dated January 23, 2009. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

BUDGETARY CONTROL

OBSERVATION:

Through inquiry with management and inspection of the County accounting system, we noted the County does not have adequate policies and procedures in place to monitor the budget to actual amounts on an ongoing basis. We noted the Budget Analysts in the CAO's office report quarterly to the Board on significant departmental changes and the status of the County as a whole; however, a formal monthly/quarterly review is not initiated within the departments of the County. Furthermore, we noted GENLED does not have a mechanism in place to stop payments from exceeding the account, sub-object, object, etc. Per inquiry with management, we noted account payable clerks and those initiating/approving payments for goods and services are not required to perform a budget to actual query of GENLED. As such, the only mechanisms in place to monitor budgeting is an informal review of the general ledger by the Manager of Cost Accounting and Budget and a monthly meetings of between the budget analysts over their departments.

RECOMMENDATION:

We recommend each department perform a budget to actual review of the general ledger before approving payments for goods and services. Furthermore, we recommend the County draft formal policies and procedures for monthly/quarterly monitoring of the County's budget, as initiated by each department. Finally, we recommend the County team with IT Department to determine whether GENLED is capable of having checks and balances mechanism in place to stop payments which exceed fund balance at the account level.

COUNTY'S RESPONSE:

We concur that adopting formal policies and procedures would be beneficial, however, departments are aware that they have responsibility for monitoring their own budgets throughout the year. In addition departments are required to submit budget monitoring reports to the CAO in January and April each year.

It would not be feasible to have a mechanism in place to stop payments exceeding appropriations at the account level since department budget are monitored at the object level not the account level. In addition, if the County receives goods and services from a vendor the vendor is entitled to be paid.

ASSESSOR APPRAISAL REPORTS – MANAGEMENT REVIEW

OBSERVATION:

During our testwork of the County's property tax system, we noted that performance of certain internal control procedures such as review of property appraisals are not always documented.

RECOMMENDATION:

After performing the above-mentioned control procedures, the individual performing the procedure should document such performance with their initials or signature. Such documentation will ensure that control procedures are being performed and will prevent the potential duplication of procedures.

COUNTY'S RESPONSE:

Property appraisal records are the work papers of the appraiser and are kept in pencil. Until keyed into the computer system values are subject to change if additional information is acquired. In this instance the initials on the column would give the false impression that the appraisal had been reviewed. We rely on workflow procedures to prevent duplication of effort.

State Board of Equalization samples our valuations on a regular cycle. Previous audit cycle indicated an assessment ratio of 100.0%, the same as is the preliminary results of the current audit. Also we have implemented a new property tax administration software this year. Megabyte adds electronic initials each step of the process.

PROPERTY TAX SYSTEM – USER ACCESS

OBSERVATION:

During our testwork of the County's property tax system, we noted the Assessor and both deputy assessors have super user access to the Crest property tax system.

RECOMMENDATION:

We recommend that the County evaluate the current access level for the above mentioned employees to determine if their current level is consistent with County policies and procedures over the information systems.

COUNTY'S RESPONSE:

We believe that the current level of access is appropriate. Different managers use different functions within the management level and all need to be able to fill in any function as required.

CAL CARD PROGRAM

OBSERVATION:

During our testwork over the County's Cal-Card program, we noted employees do not always submit their receipts in a timely manner. We noted one employee who did not turn in approvals and backup for the entire fiscal year. We also noted the County does not collect supporting documentation for Cal-Card purchases prior to payment of the charges with the credit card company. We noted this practice currently exists so the County can take advantage of discounts associated with an early payment. As a result, the County may risk paying for goods and services that are not always authorized or received.

RECOMMENDATION:

We recommend that the County review its current policies over the Cal-Card program to evaluate whether those policies are being properly implemented. When reviewing the current policies, we recommend that the County implement stronger internal controls to ensure Cal-Card payments are not made until all supporting documentation for each charge is obtained and reconciled against the charge card statement.

COUNTY'S RESPONSE:

Auditor-Controller staff continually follow up with departments to receive employee's Cal-Card statements and supporting documentation. Employees who habitually do not submit documentation in a timely manner lose the privilege of using a County Cal-Card. Although the County routinely pays charges before submittal of supporting documentation, charges that are deemed fraudulent are credited back to the County by the bank. The County's internal auditors are aware of the internal control deficiencies and are following up on this finding.

APPROVAL OF TIME

OBSERVATION:

During our testwork over the County's payroll process, we noted a lack of consistency for the approval of time between different County departments.

RECOMMENDATION:

We recommend that the County implement policy and procedures over the approval of payroll time to ensure consistency throughout the County.

COUNTY'S RESPONSE:

Due to the lack of a countywide time keeping system there is inconsistency for the approval of time between different County departments. However, the Auditor-Controller requires department head or their designees to approve the time extension reports submitted to the Auditor-Controller's Office for final payroll processing. The County is currently looking into a countywide time entry system. The County's internal auditors are aware of the internal control deficiencies and are following up on this finding.

PREPARATION OF THE FINANCIAL STATEMENTS

OBSERVATION:

During our testwork over the County's CAFR, we noted the CAFR preparation process is performed by general accounting. The CAFR preparation process is extensive, complex and time consuming. We noted the need to increase the personnel involved in the CAFR preparation and review process, which will allow the County to insure the timeliness of the CAFR submission and accuracy in reporting.

RECOMMENDATION:

We recommend the County implement policy and procedures to involve more personnel in the preparation and review process over the CAFR.

COUNTY'S RESPONSE:

Additional staff in the Auditor-Controller's Office will be made available to assist with the preparation of the CAFR and to assist in compiling data for the audit.

PRIOR YEAR MANAGEMENT LETTER COMMENTS

Summarized below is the status of the 2007 management letter comments:

Topic	Status
Budgetary Control	Not implemented, see comment repeated above.
Assessor Appraisal Report- Management Review	Not implemented, see comment repeated above.
Property Tax System- User Access	Not implemented, see comment repeated above.
Conflict of Interest Statements- Form 700	Implemented
Journal Entries	Implemented
Cal-Card Program	Not implemented, see comment repeated above.
Capital Assets- Retirements	Implemented

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 23, 2009